

**AMENDED MINUTES OF THE
ECONOMIC DEVELOPMENT AND REVENUE
APPROPRIATIONS SUBCOMMITTEE**

Room W215 Senate Office Building, State Capitol Complex

February 3, 2010

Members Present: Sen. Ralph Okerlund, Co-Chairman
Rep. Sheryl Allen, Co-Chairman
Sen. Gene Davis
Rep. Jackie Biskupski
Rep. Julie Fisher
Rep. Chris Herrod
Rep. Todd Kiser
Sen. Jerry Stevenson

Members Absent: Rep. Christine Johnson

Staff Present: Dr. Andrea Wilko, Chief Economist
Dr. Thomas Young, Economist
Becky Lawyer, Committee Secretary

Note: A list of visitors and a copy of handouts are filed with the committee minutes.

Sen Okerlund brought the meeting to order at 2:09 p.m.

Leigh Von Der Esch was introduced and introduced partners.
Steve Lindberg, Utah Tourism Board of Development
Nathan Rafferty, President and CEO, Ski Utah
Jenny Smith, Ski Utah
Tom Guinney, Salt Lake Convention and Visitor's Bureau
Barbara Riddle, Davis Area Convention and Visitor's Bureau

Dr. Wilko referred to the GOED budget brief. GOED has four line items: Administration, Business Development, Tourism, and the Pete Suazo Utah Athletics Commission. The Tourism Marketing Performance Fund's base amount of \$6 million was discussed. The analyst recommended forwarding a recommendation to EAC.

MOTION: Rep. Fisher moved to approve the minutes from the meeting on February 1. The motion passed unanimously with Rep. Biskupski and Rep. Herrod absent for the vote.

Governor's Office of Economic Development

Spencer Eccles, Executive Director, GOED, addressed the committee, assisted by Sophia Goodick DiCaro. An administrative overview of the GOED was given, describing the building blocks supported by the Governor's office, and non-lapsing authority requested. Josh Romney, volunteer GOED Policy Advisor appointed by the governor was introduced. Dedicated credits and transfer adjustments needed were discussed. The four administrative areas of the Governor's

Office of Economic Development were introduced: Administration, Tourism and Film, Business Development and the Pete Suazo Utah Athletic Commission. Other responsibilities include the Office of Consumer Health Services and the Utah Health Exchange, and the California Recruitment Initiative. The DCC has worked with them recently to split the lease and parking from the DCC's budget. A request was made to transfer the amount for that from the DCC's budget to GOED once the numbers are generated.

Requests for FY2011 were made as follows: UT Health Exchange: \$670,000, Tourism and Marketing: \$7 million, reflecting a current level of funding, the World Trade Center of Utah: \$350,000, and \$300,000 for the Sports Commission. Non-lapsing authority was requested for the California Initiative, Utah Health Exchange, Tourism and Marketing Performance Fund and the Motion Picture Incentive Fund. Other expenses relative to the transition from former governor and now Ambassador Huntsman to Governor Herbert are ongoing, so carry-over funds were requested for Business Marketing, in administration, as well as support in key areas such as International Development, Rural Development, Tourism, Film and cluster development. On SB 268, Rural Broadband Service Fund, there are outstanding contracts, and non-lapsing authority is requested for another year.

Leigh Von Der Esch, Managing Director, Office of Tourism and Film, addressed the committee. Dave Williams and Matt Morgan were introduced. The Gnome, recently won by Utahns over Tahoe, was introduced. Utah Tourism ads were shown. An additional \$7 million was requested. The committee was reminded that 10% is allocated to the Sports Commission, 20% is allocated to the Cooperative Marketing Program, and the balance allocated to the advertising budget with non-winter accounting for \$2.9 million, and winter \$1.5 million. The purpose of the Motion Picture Incentive Fund was explained as an encouragement to film companies to use Utah as site for filming. The percentage of local crew hired when a film comes to the state has grown. Testimonials about the Film Commission were given. Questions from the committee were discussed.

Gary Harter, Managing Director, Business Creation for GOED, addressed the committee. Four programs in business creation were discussed. Business Resource Centers and Procurement Technical Assistance Centers were discussed in a previous meeting. Clusters - a group of related business in a core group of targeted industries, and Centers of Excellence were discussed. Questions from the committee were discussed.

Derek Miller, Managing Director, Business Incentives and Growth addressed the committee. The recruitment program includes both new companies coming into the state and local companies that are expanding. A chart was showed indicating the incentives paid and the new state wages and jobs created with those incentives. The 3 pillars of success were explained. 8,343 jobs created because of this program. Several success stories were shared. Questions from the committee were discussed.

Spencer Eccles, Executive Director, GOED, assisted by Josh Romney, Policy Advisor for GOED, addressed the committee and described the California Initiative. A contract has been made with Richter7/DCI to develop focused marketing strategy and identify opportunities in recruitment in California. There are opportunities in the following sectors: 58 - life sciences, 21 - Aerospace, 14 - sports and outdoor products, 12 - energy.

Huntsman Cancer Center

Janet Bingham, President and Ceo, Huntsman Cancer Institute, introduced Mary Beverly, Executive Director, Huntsman Cancer Institute addressed the committee. \$4 million was requested for FY11. HCI in the forefront for providing new treatments. This year HCI received national recognition for research from the National Cancer Institute. Funds are leveraged in the ability to hire and retain best and brightest scientists. Recently two individuals were hired from Harvard and one from Stanford. In 2009, scientists at HCI secured \$2 mil in extramural grants, representing 160 projects from agencies like from NIH. Every dollar spent in research returns an additional \$2 through ancillary services.

Thanksgiving Point

Mike Washburn, President and CEO, Thanksgiving Point Institute, addressed the community. The Museum of Natural Curiosity was introduced as a new project, the Institute is \$16 million into a \$25 million campaign. The Institute is requesting onetime money in the amount of \$1.4 million. The money would be matched with \$23 million from Lehi City, Utah County, and other foundations, individuals and corporations. Thanksgiving Point is a 501(C)(3) charity. Thanksgiving Point is in the top 1% of museums Nationwide in generated revenue. There are 23,000 members from every county and 21 other states. Visitors numbered 1.65 million visitors this year, 600,000 of whom were children.

Manufacturing Extension Partnership

David Sorenson, Executive Director, Manufacturing Extension Partnership addressed the committee. A handout was distributed. The MEP is part of a national program, and the National Institute of Standard Technology, Department of Commerce. Every project they perform and report every year is surveyed to determine membership. In 2009 \$900,000 from the state, was matched with federal money and was enhanced with money from industry. This funding resulted in 2,292 jobs, \$650 million in additional industrial output, \$122 million in additional employee compensation and \$14.7 million in indirect business taxes. The total taxes generated from that funding, and jobs created or saved, is about \$60 million, of which about \$21 million is taxes which go directly to the State of Utah.

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Craig Peterson, Advisor to MEP addressed the committee. A success story of Mity-Lite and their association with MEP was shared. \$1.4 million dollars is requested in order to receive the same amount matched with federal dollars. Of companies who get extension help, less than 1% go out of business.

UBIDS

Kori Ann Edwards, Logistic Specialties, Part of Utah Procurement Team, addressed the committee. This program uses specialized expertise to help the state's small and medium-sized businesses compete for and win government contracts. The businesses helped are all across the state. The program has the strongest ROI in GOED. For every dollar invested, \$155 secured by companies in government contracts. In the first five months of FY2010, Utah companies have been helped to secure \$377 million in government contracts. Several installations of the Army Corps of Engineers were flown in to educate Utah companies in where the opportunities were and how to bid on them. As a result, Utah companies win those contracts every day. According to Ms. Edwards, in the last 2 1/2 yrs, \$865 million in contracts for Utah businesses and over 17,000 jobs were obtained with that effort. Over half of these dollars come from federal government opportunities.

Craig Cunningham, COO, OntoReason, addressed the committee. This program has helped OntoReason, formerly \$1.5 million in revenue, won \$162 million IDIQ contract, which would not have been possible without UBIDS. The potential to win these contracts has been increased by six times. Revenue has also been increased by 300%.

Rep. Dee addressed the committee. The Governor has stated that his #1 objective now is jobs. ROI is important but the creation and retention of jobs is just as important. Questions from the committee were discussed.

Earned Income Tax Credit Assistance Program

Heather Tritten, Executive Director, Community Action Partnership of Utah, addressed the committee. The Earned Income Tax Credit Assistance Program was explained as a way to help people receive their earned income tax credit. Funds are used to pay regional coordinators who put this program together around the state. All volunteers are IRS-certified. In 2009, 686 volunteers donated 24,000 hours to this program. The program runs from January to April and 14,605 returns were submitted. \$17 million were brought to the state in tax returns, and of that, \$5.5 million was earned income tax credit. This was done with \$100,000 allocated by this committee, along with some private and other public money. The base budget for this program this year is just over \$45,000. The previously allocated \$100,000 is needed to keep the program running and to keep regional coordinators in place. Questions from the committee were addressed.

Jim Young, employee of the Church of Jesus Christ of Latter-Day Saints, loaned to the United Way of Salt Lake City, and Volunteer Income Tax Preparer, addressed the committee. The volunteers who assist in this program could not work efficiently or effectively without the help of the full-time employee who secures locations and recruits volunteers.

Center for Education, Business and the Arts

Kelly Stowell, Executive Director, Center for Education, Business and the arts, introduced Ed Meyer, Kanab City Councilman, and addressed the committee. The purpose of this program is to provide the rural areas of Kane County and Kanab with access to educational, business and entrepreneurial opportunities, thereby increasing economic vitality. Programs were outlined and a DVD was distributed. A request of \$40,000 was made.

Ed Meyer, Kanab City Councilman, addressed the committee. There is a struggle to find jobs in rural and remote areas. Questions from the committee were discussed. Request is to look at program and are requesting \$40,000 which would allow them to continue functions.

Utah Council for Citizen Diplomacy

Sen. Davis, Utah Council for Citizen Diplomacy, addressed the committee. A description and history of the council was given, as well as an outline of programs. Some funds are made available by the State Department but funds are also requested from the state. Delegates from the international community visited, examining NGOs and civic activism in Utah. Two delegates from France have visited this week, examining counter-terrorism and the U.S. Justice System. Other calendar events were discussed. A request for \$25,000 to keep the programs running was made.

Small Business Development Centers

Mason Bishop, Vice President, Institutional Advancement, Salt Lake Community College, introduced Karen Dunn, Dean, School of Professional Economic Development, addressed the committee. Salt Lake Community College is now largest college and university in the State of Utah. Last fall there were over 34,000 on campus, 4,000 new students. Close to 30,000 this spring. They are also the largest Applied Technology Center in the state, providing one-third of all the state's career and technical education. A description of programs and services was given. Revenue in the amount of \$74,000 is allocated annually as well as \$337,000 contracted by the governor's office. Those services to small business are at risk because base budget of GOED has reduced. The SBA warns that if this \$200,000 base continues, they may have to withdraw support. A request for a restoration of the state's allocation was made. Questions from the committee were addressed.

Karen Dunn addressed the committee and described the function of the centers.

Utah Sports Commission

Jeff Robbins, President and CEO, Utah Sports Commission, addressed the committee. A handout was distributed. A history and outline of the commission was given. Many events have been hosted in Utah and opportunities continue to arise, bringing revenue into the state through television and sponsor contracts. Funds were requested for bidding on events which results in a significant ROI. Questions from the committee were discussed.

Audit Update on Counties Municipal Services

Leah Blevins, representing the Legislative Auditor General's Office, introduced Tim Osterstock, Manager of the Audit. Audit was requested because of concerns with the method second through sixth-class counties use to pay for and provide municipal-type services. These services may be offered to both unincorporated county residents and residents of incorporated cities and towns. Ten counties were sampled, not including Salt Lake County. Smaller counties are not required to have Municipal Service Funds, but all should have some mechanism to provide needed services. A handout was distributed. A concern was raised with Box Elder County's method of funding services to unincorporated areas. These services should only be funded with monies obtained from unincorporated area residents. Questions from the committee were discussed.

It was determined that Leg Research should be notified of this situation and perhaps legislation should be pursued.

MOTION: Rep. Davis moved to adjourn. The motion passed unanimously.

Sen. Okerlund closed meeting at 4:52 p.m.

Sen. Ralph Okerlund, Co-Chair

Rep. Sheryl L. Allen, Co-Chair